

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

In re:

PIPELINE HEALTH SYSTEM, LLC., *et al.*,

Debtors.

Chapter 11

Case No. 22-90291 (MI)

(Jointly Administered)

TENET BUSINESS SERVICES CORPORATION, *et al.*,

Plaintiffs,

v.

SRC HOSPITAL INVESTMENTS II, LLC, *et al.*,

Defendants.

Adv. No. 23-03078 (lead case),  
*consolidated with* Adv. Nos 23-  
03079, 23-03080, 23-03081 and  
23-03082

**DECLARATION OF ROBERT ALLEN  
IN SUPPORT OF DEFENDANTS' MOTION FOR SUMMARY JUDGMENT**

I, Robert Allen, hereby declare as follows:

1. I am the Chief Executive Officer of Pipeline Health System Holdings, LLC, the reorganized debtor in the lead bankruptcy case, Case No. 22-90291. I submit this declaration in support of Defendants' Motion for Summary Judgment in this action. I make this declaration upon my personal knowledge, informed by my review of the files maintained by Pipeline Health System Holdings, LLC, as well as its predecessor Pipeline Health System, LLC and its affiliates and subsidiaries, including the Defendants in this case (I refer collectively to reorganized Debtor Pipeline Health System Holdings, LLC, Pipeline Health System, LLC, and Defendants as "Pipeline").

2. I have served as the Chief Executive Officer of Pipeline since February 2023. I

previously served as Pipeline's Chief Financial Officer from November 2020 to February 2023.

**Pipeline's Purchase of the Chicago Hospitals from Tenet**

3. As CEO, I am familiar with the APA, its earlier and final iterations and amendments, the appended disclosure schedules, and the ancillary documents Pipeline and Tenet executed alongside the APA. Attached hereto as **Exhibit 1** is a true and correct bookmarked copy of the execution version of the Disclosure Schedules to Asset Purchase Agreement by and between SRC Hospital Investments II, LLC and Tenet Business Services Corporation and the Other Sellers Named Herein, dated July 17, 2018 ("Disclosure Schedules").

4. Pipeline and Tenet closed escrow on the Chicago Hospitals on January 28, 2019 ("Closing"). Pipeline began operating the Chicago Hospitals and other acquired facilities immediately.

5. In the sale, Pipeline acquired, among other things, the facilities' real estate, accounts receivable, bank accounts, and the permits and licenses Pipeline needed to continue operating health care facilities in Illinois. This included the facilities' respective Medicare provider agreements, certifications, and billing numbers (the "MPNs").

6. Pipeline and Tenet also intended, through the APA, to arrange for Pipeline to reimburse Tenet for services Tenet provided to Medicare patients prior to Closing, since Medicare pays the entity that has the billing number. Under this arrangement, in the event Pipeline were to receive a reimbursement from a government payor like Medicare, then Pipeline would make sure Tenet received whatever reimbursement amount the payor deposited into the applicable government lock box account. Since these future payments were purely hypothetical, the APA did not, and could not, state which specific future reimbursements Pipeline would be receiving for Tenet's services.

7. Pipeline understood the APA to provide a way for Pipeline to reimburse Tenet for

money that Pipeline might receive in the future for Tenet's pre-Closing services. The APA doesn't state that government payors would be delivering future reimbursements to Pipeline for "safekeeping" for Tenet, and Pipeline didn't interpret it that way or as an obligation to segregate or earmark funds for Tenet.

8. But Pipeline did want to be sure Tenet would reimburse Pipeline for any payments Tenet received from Medicare between the Closing Date and when Medicare approved Pipeline's assumption of the provider agreements. So, Tenet and Pipeline entered into a Billing License Agreement, to arrange for these reimbursement payments.

9. Attached hereto as **Exhibit 2** is a true and correct copy of the Billing License Agreement by and among Pipeline – West Suburban Medical Center, LLC, Pipeline – Weiss Memorial Hospital, LLC, Pipeline – Westlake Hospital, LLC, Westlake Property Holdings, LLC, Pipeline – Weiss Medical Specialists, LLC, Pipeline – Lakefront Medical Associates, LLC, and Tenet Business Services Corporation and its affiliates, dated January 28, 2019 ("Billing License Agreement").

### **Medicare Reimbursements**

10. As Pipeline's CEO and former CFO, I am familiar with the Medicare billing and claims process, audits, overpayment and underpayment practices, appeals mechanisms, and the Medicare Administrative Contractors ("MAC") that Medicare uses to accomplish all of it.

11. When a Medicare provider enrolls in Medicare, it enters into a provider agreement with Medicare and receives a billing number (the "MPN").

12. To be reimbursed for services to Medicare patients, providers submit billings to the MAC. Each year, the provider submits an annual cost report, which the MAC uses to reconcile payments against the provider's actual reasonable costs. When the reconciliation shows the provider was underpaid, the MAC issues a reimbursement to the provider through an

electronic funds transfer (“EFT”), and when the provider was overpaid, the MAC collects payment from provider on Medicare’s behalf.

13. National Government Services, Inc. (“NGS”) was the MAC for the State of Illinois (and the Chicago Hospitals).

14. When a Medicare provider undergoes a change of ownership (“CHOW”), like Pipeline’s acquisition of the Chicago Hospitals from Tenet, the provider agreement between the facility and Medicare, as well as the provider’s MPN, automatically transfer to the new owner.

15. Until the CHOW is complete, the MAC will continue paying the former owner because Medicare has not yet formally approved the provider-agreement assumption. When Medicare approves the assumption, the new owner assumes the MPN, and the MAC will issue reimbursements to the new owner, as the MPN-holder.

16. So, after Pipeline bought the Chicago Hospitals from Tenet, Pipeline had to submit a change-of-ownership application to Medicare for approval before Pipeline could officially assume the provider agreements and MPNs.

17. Medicare approved Pipeline’s application for Weiss, and the CHOW was complete, on June 27, 2019. Attached as **Exhibit 3** is a true and correct copy of Medicare’s amended letter notifying Weiss Hospital of the change-of-ownership approval.

18. Medicare approved Pipeline’s application for West Suburban, and the CHOW was complete, on June 19, 2019. Attached as **Exhibit 4** is a true and correct copy of Medicare’s amended letter notifying West Suburban Medical Center of the change-of-ownership approval.

19. After this, NGS started depositing reimbursement payments into the Weiss and West Suburban government lock box bank accounts.

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**The Lender Deposit Account Control Agreements and Settlement Sweeps**

20. On or about January 28, 2019, Pipeline entered into a series of deposit account control agreements (the “DACA”) with Pipeline’s lender, Mid-Cap, which later became Sector. Under the DACA, the lender conducted daily sweeps of the Weiss government lockbox account into the Weiss nongovernment lockbox account, and the West Suburban government lockbox account into the West Suburban nongovernment lockbox account, the next business day. The business day after that, the lender swept the nongovernment lockbox accounts into its account. When the lender swept funds into the lender account, the funds stopped being Pipeline’s. This practice occurred every day until Pipeline filed for bankruptcy.

21. Due to the sweep cut-off time each day and bank delays in posting deposits, the Weiss and West Suburban nongovernment lock box account statements did not reflect an ending daily balance of \$0, even though Sector had swept the previous day’s funds. So even though the nongovernment lockbox accounts reflected a non-zero ending daily balance, that balance would not have been comprised of any Settlements.

22. When Pipeline filed for bankruptcy on October 2, 2022, the last Settlement that NGS had deposited into any government lockbox account was swept to Sector on August 17. Sector had done dozens of daily sweeps since August 17, so Pipeline did not have any Settlements in its accounts on October 2.

**Bankruptcy and Sale to Resilience**

23. On October 2, 2022 (the “Petition Date”), Pipeline filed: voluntary petitions under Chapter 11 of the Bankruptcy Code (collectively, the “Petition”).

24. As part of the bankruptcy plan, Pipeline quickly sought to sell off the Chicago Hospitals. On November 22, Pipeline asked the bankruptcy court to approve a sale of the Chicago Hospitals to AUM Global Healthcare Management Inc. dba Resilience Healthcare

(“Resilience”).

25. On November 30, the sale was approved, and on December 2, 2022, Pipeline “turned the keys over” to Resilience. Resilience acquired the Chicago Hospitals, the provider agreements and MPNs, and all email accounts, bank accounts, and all Chicago-Hospital-related records. The terms of the sale to Resilience are found in the Membership Interest Purchase Agreement (“MIPA”).

26. Pipeline emerged from bankruptcy on February 6, 2023.

I declare under penalty of perjury under the laws of the United States of America, pursuant to 28 U.S.C. § 1746, that the foregoing is true and correct. Executed on November 18, 2024, in Los Angeles, California.

*Robert Allen*

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ROBERT ALLEN